

## Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 EB-07 COME-00 L-03 TRSE-00 OMB-01  
CIAE-00 INR-07 NSAE-00 SS-15 NSC-05 SP-02 SEC-01  
OES-07 FEAE-00 INT-05 /064 W  
-----012174 201453Z /50  
R 201200Z JUN 77  
FM AMEMBASSY ABIDJAN  
TO SECSTATE WASHDC 4074

LIMITED OFFICIAL USE SECTION 1 OF 2 ABIDJAN 6178

E.O. 11652: N/A  
TAGS: ENRG, EFIN  
SUBJECT: DISTRIBUTION OF PETROLEUM PRODUCTS IN IVORY COAST

REF: ABIDJAN 5245

1. SUMMARY: TWO OF THE THREE AMERICAN OIL COMPANIES  
HERE HAVE CALLED ON THE AMBASSADOR TO ASK HIS ASSISTANCE  
IN RETAINING THEIR POSITION IN THE MARKET HERE. THEY  
STATE THAT UNFAIR PRACTICES BY SOCIETE NATIONALE  
D'OPERATIONS PETROLIERES DE LA COTE D'IVOIRE (PETROCI)  
MAY SQUEEZE THEM OUT OF THE MARKET. WE HAVE LISTENED  
CAREFULLY TO THEIR CASE AND AMBASSADOR, WHO HAS  
ALREADY HAD ONE DISCUSSION WITH PETROCI DIRECTOR  
TOUNGARA ON PROBLEM, HAS AGREED TO LOOK INTO IT  
FURTHER. END SUMMARY.

2. ON JUNE 10, JEAN POUPEAU, VICE PRESIDENT,  
TEXACO ASSISTANT MANAGER, WEST AFRICA, CALLED  
ON THE AMBASSADOR TO RECOUNT MARKETING PROBLEMS  
TEXACO HAS HAD OF LATE IN IVORY COAST AND TO ENLIST  
HIS AID. ON JUNE 15, MICHEL BONNET, MANAGER OF  
MOBIL, WEST AFRICA, RECOUNTED APPROXIMATELY THE  
SAME STORY AND ALSO REQUESTED THE AMBASSADOR'S  
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ASSISTANCE.

3. TEXACO REPORTED THAT RECENTLY IT HAS HAD A  
SPATE OF TROUBLES WITH ADAMA TOUNGARA, THE  
AMERICAN-EDUCATED PRESIDENT DIRECTOR GENERAL OF  
PETROCI, WHICH CAUSED THEM TO WONDER IF THEY WOULD  
STILL BE DISTRIBUTING IN IVORY COAST TWO YEARS FROM

NOW. THEIR ALLEGATIONS FALL INTO THREE BROAD CATEGORIES: TOUNGARA IS TAKING BUSINESS FROM THEM TO GIVE TO BP; HE IS DUPLICATING SERVICES THEY ALREADY PROVIDE, AND HE HAS INFLUENCED MIN OF FINANCE TO DENY THEM RIGHT TO SELL SHARES OF THE COMPANY ON THE LOCAL STOCK EXCHANGE.

4. TEXACO WAS RECENTLY INFORMED THAT SITRAM (THE GOVERNMENT SHIPPING LINE) WOULD NOW BE SUPPLIED BY BP INSTEAD OF TEXACO. TOUNGARA IS A DIRECTOR OF BOTH BP AND SITRAM, AND ALLEGEDLY THE SWITCH WAS ORDERED BY TOUNGARA (PETROCI OWNS 50 PERCENT OF SHELL AND BP). TEXACO WON A BID TO SUPPLY THE EECI (GOVERNMENT ELECTRICITY COMPANY), BUT BP WAS ALLOWED TO RE-BID, KNOWING TEXACO'S BID, AND OBTAINED THE CONTRACT. THESE ARE TWO MAJOR CUSTOMERS LOST. PETROCI WILL ALSO SUPPLY ALL THE LUBRICANTS FOR THE GOVERNMENT DEVELOPMENT SOCIETY CHARGED WITH THE SUGAR PROGRAM (SODESUCRE). OSTENSIBLY, TO HOLD MORE SECURITY STOCKS OF REFINED PRODUCTS, PETROCI IS BUILDING A NEW STORAGE DEPOT. BUT TEXACO, MOBIL, SHELL, AND AGIP HAVE ALREADY BUILT STORAGE DEPOTS WITH MORE THAN ENOUGH CAPACITY TO MEET GOVERNMENT REQUIREMENTS. TO RUB SALT IN THE WOUND, THE OIL COMPANIES ARE REQUIRED TO CONTRIBUTE ONE FRANC FROM THE 1977 INCREASE IN LIMITED OFFICIAL USE

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THE RETAIL PRICE OF GASOLINE AND ONE FRANC PER GALLON OR PER KILOGRAM (DEPENDING ON THE PRODUCT SOLD) TOWARD THE CONSTRUCTION OF THE NEW DEPOT. THIS IS 8 MILLION DOLLARS A YEAR FOR TEXACO ALONE FOR A SECURITY DEPOT COSTING 28 MILLION TO CONSTRUCT, REQUIRING 60 MILLION WORKING CAPITAL. TEXACO IS ALSO IN THE BARGING BUSINESS, AND IT HAS NOW LEARNED THAT PETROCI INTENDS TO COMPETE WITH IT. TEXACO'S POINT IS THAT IT MAKES NO SENSE TO DUPLICATE SERVICES ALREADY PROVIDED.

5. POUPEAU'S MAJOR POINT WAS THAT TEXACO IS A HOSTAGE HERE, AND THAT THE ANSWER IS IVORIAN PARTICIPATION. IF YOU CAN'T LICK THEM, FIND A WAY TO GET THEM TO JOIN YOU. HE WOULD SELL TO PETROCI, BUT PREFERS PRIVATE ENTERPRISE. BUT WHEN TEXACO ASKED PERMISSION TO OFFER SHARES TO THE PUBLIC, COMPANY WAS TOLD UNOFFICIALLY NO PUBLIC OFFERINGS WOULD BE ACCEPTED FROM ANY OIL COMPANY EXCEPT PETROCI. THE AMBASSADOR INDICATED HE IS WILL TO HELP. HE ASKED THAT TEXACO PREPARE HIM A VERY BRIEF PAPER, SO THAT HE IS SURE HE HAS THE FACTS

DIRECTLY FROM THE COMPANY. THE AMBASSADOR TOLD  
POUPEAU THAT THE LATTER'S HIGH CARD WAS PARTICIPATION,  
WHILE THE EMBASSY'S IS THE GENERAL CONFIDENCE OF THE  
U.S. INVESTOR IN HOW HE WILL BE TREATED HERE.

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CIAE-00 INR-07 NSAE-00 SS-15 NSC-05 SP-02 SEC-01  
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R 201200Z JUN 77  
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6. M. BONNET OF MOBIL CAME IN ON JUNE 15 AND,  
HAVING SAID THAT THERE IS A CONTRADICTION BETWEEN  
WHAT IS BEING SAID AND WHAT IS BEING DONE, CONCISELY  
SET FORTH SEVEN REASONS FOR HIS CONCERN: (1) PETROCI  
HAS TAKEN FROM THE OIL COMPANIES THE RIGHT TO SUPPLY  
SOUTHERN MALI AND UPPER VOLTA. IT OBTAINS THE OIL  
FROM WORLD BROKERS AT PRICES HIGHER THAN THOSE  
THE LOCAL COMPANIES CAN OBTAIN. (2) THE SEVEN  
MARKETEERS USED TO PARTICIPATE EQUALLY IN SUPPLYING  
THE EECI. NOW, IN WHAT MOBIL BELIEVES WAS AN UNFAIR BIDDING  
PROCEDURE, BP WILL SUPPLY ALL. (3) PRESIDENT  
HOUPHOUET-BOIGNY HAS STATED IN THE PAST THAT HE FAVORS  
FOREIGN COMPANIES' INVITING PARTICIPATION BY IVORIAN INVESTORS.  
BUT BONNET WAS TOLD ANY DECISION REGARDING THE OIL COMPANIES  
GOING PUBLIC WAS POSTPONED. (4) PETROCI IS BUILDING THE  
NEW DEPOT FOR SECURITY STOCKS, AND ASKING THE  
OIL COMPANIES TO PAY PARTIALLY FOR ITS CONSTRUCTION.  
BONNET HAS WRITTEN MINISTER OF MINES PAUL GUI DIBO ASKING  
WHO IS RESPONSIBLE FOR SECURITY STOCKS, THE GOVERN-  
MENT OR THE COMPANIES, BECAUSE THE COMPANIES  
(THE FOUR PREVIOUSLY MENTIONED) HAVE THEIR OWN DEPOTS.  
(5) NEW SITES FOR BUILDING GASOLINE AND SERVICE  
STATIONS HAVE BEEN RESERVED TO PETROCI, WHICH WILL IN TURN  
ASK BP AND SHELL TO MANAGE THEM UNDER A PETROCI SYMBOL.  
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(6) BP WILL NOW SUPPLY SITRAM. SHELL WILL SUPPLY THE BUYO DAM. UNDER THESE CIRCUMSTANCES COMPETITIVE BIDDING PROCEDURES SEEM TO HAVE BEEN SET ASIDE. (7) MOBIL IS STILL WAITING FOR AN ANSWER TO AN OCTOBER 1976 PROPOSAL TO CONSTRUCT FOR ONE MILLION DOLLARS A STORAGE AREA FOR THE ASPHALT TO BE PRODUCED BY THE NEW PLANT RUN BY TOUNGARA.

7. THE AMBASSADOR SAID THAT HE HAD ALREADY DISCUSSED WITH TOUNGARA THE GENERAL CONCERNS OF THE AMERICAN COMPANIES. TOUNGARA HAD SAID THAT HE HAD NO INTENTION OF SQUEEZING THE AMERICAN FIRMS OUT. TOUNGARA HAD SAID THAT HE FELT AN OBLIGATION TO SUPPLY THE IVORIAN ARMED FORCES (BONNET QUICKLY SAID THAT MOBIL NOW DOES THAT). BOTH FIRMS HAD ASKED THE AMBASSADOR IF TOUNGARA WAS ACTING WITH HOUPHOUET'S BLESSING OR ON HIS OWN INITIATIVE. THE AMBASSADOR SAID THAT IS WHAT HAS TO BE DETERMINED, BECAUSE WHAT TOUNGARA WANTS IS LESS IMPORTANT THAN WHAT THE PRESIDENT IS WILLING TO GIVE HIM.

8. COMMENT. TOTAL U.S. EXPOSURE IN THE PETROLEUM INDUSTRY HERE IS APPROXIMATELY 35 MILLION DOLLARS. THE ALLEGATIONS OF UNFAIR PRACTICES AND LACK OF MARKET OPPORTUNITY DUE TO DISCRIMINATORY BIDDING COULD HAVE ADVERSE EFFECTS ON THE PERCEPTIONS OF U.S. BUSINESSMEN OF THE INVESTMENT CLIMATE HERE. THE IVORIAN GOVERNMENT WANTS TO DOUBLE THE CAPACITY OF THE REFINERY FROM 2 MILLION TONS A YEAR TO 4 MILLION TONS A YEAR. THE AMERICAN FIRMS ARE EXPECTED TO PAY THEIR SHARE, BUT WILL CERTAINLY BE RELUCTANT TO DO SO IF THEY BELIEVE THEY ARE TO BE DISPLACED IN THE MARKET HERE. ESSO ALSO HAS POTENTIAL PROBLEMS BUT MAY HAVE MORE LEVERAGE THAN MOBIL AND TEXACO BECAUSE OF ESSO'S INVOLVEMENT IN OFF-SHORE OIL EXPLORATION, AN ACTIVITY

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THE IVORIANS ARE ANXIOUS TO SEE CONTINUED AND EXTENDED. THE AMBASSADOR SAID HE WOULD ATTEMPT TO GET SOME STRAIGHT ANSWERS FOR THE COMPANIES WHEN THE AIR CLEARS OF THE SPECULATION OF MINISTERIAL CHANGES.

STEARNS

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## Message Attributes

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